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# BULLETIN

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### THE WAR AND THE WORLD'S TRADE

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Since the outbreak of the European war involving, among others, the two leading commercial nations as opponents, international trade has experienced the greatest disruption the world has ever known. Although numerous causes for this disastrous commercial disruption might properly be cited, two, at least, are fundamental. In the first place, the present war is, in many respects, the greatest and most crucial in history. Consequently, it is calculated to disturb the commercial relations of nations, especially of the belligerents, to their very foundations. In the second place, the world's commerce to-day is much larger than it was at the outbreak of any previous war, and the countries of the world are now more closely knit together into one vast trading community than ever before. Hence, even a minor disarrangement of the machinery of trade, or interference with the normal demand and supply of goods is bound to be far-reaching in its influence; while such major disruptions as the practical obliteration of the foreign commerce of the second largest trader in the world—Germany—and the actual reduction and threatened destruction of that of many other nations are matters which can result only in dire consequences.

In an attempt to discuss some of the effects of the war upon the world's commerce, the first-mentioned reason for the present commercial disarrangement requires no comment. On the other hand, however, it will lend perspective to our later discussion to present, at the outset, some of the leading facts concerning the world's enormous trade as it existed under conditions of peace, and to outline the causes for its recent rapid expansion.

The rapidity of growth of the world's international commerce is nothing short of marvelous. Within the last two decades it has

more than doubled, having reached, before the outbreak of the war, the enormous value of forty billion dollars annually. Moreover, any one of the three leading commercial nations—the United Kingdom, Germany, and the United States—has, in times of peace, a foreign trade greater than that of the whole world only sixty years ago.

This enormous expansion is the result of an intricate combination of factors. The introduction of machinery and the evolution of the factory system paved the way for an almost indefinite increase of saleable commodities at a diminishing per unit cost of production. The remarkable development of transportation systems, both by land and sea, especially during the latter half of the nineteenth century, made possible the cheap and rapid movement of goods from points of production to the world's markets. The recent progress of scientific agriculture and of scientific method in industrial management have increased competition and called for the best adjustment of industries to environmental conditions. This has led to regional specialization of production within the boundaries of individual countries, and, in some cases, to national specialization of economic effort. Here is the basis for extensive trade. Furthermore, innumerable devices in the nature of trade-promoting machinery (such as banking and credit facilities, consular and diplomatic services, commercial agents and attachés, etc.) have combined to consolidate the various countries of the world into one vast trading community, with business transactions between the individual units which have reached enormous proportions.

For the year 1913—the last whose statistics are normal—the total value of the world's foreign commerce was, in round numbers, \$40,000,000,000, divided nearly equally between exports and imports. About 60 per cent. of the exports, to the value of about \$12,000,000,000, were from European countries. Furthermore, Europe is to be credited with 70 per cent., or about \$14,000,000,000 worth of the world's imports. More specifically, a brief analysis of the foreign trade of the principal warring nations of Europe in 1913 reveals the following:

	<i>Imports</i>	<i>Exports</i>
United Kingdom.....	\$3,742,000,000	\$3,090,000,000
France .....	1,642,000,000	1,326,000,000
Russia .....	629,000,000	732,000,000
Belgium .....	884,000,000	690,000,000
Total .....	6,897,000,000	5,838,000,000
Germany .....	2,546,000,000	2,399,000,000
Austria .....	689,000,000	561,000,000
Total .....	3,235,000,000	2,960,000,000
Grand total.....	\$10,132,000,000	\$8,798,000,000

From this table it appears that the principal warring nations of Europe have, ordinarily, about one-half of the world's foreign commerce, and that the commerce of the Allies is more than double that of Germany and Austria combined. If space permitted, figures also could be given which would show the highly interlocking character of the foreign commerce of the belligerents. To cite but two examples, Germany is, in times of peace, the largest European customer of England, while the latter is the principal market for German exports.

Once war had been declared, it was inevitable that this enormous volume of trade of the countries involved in actual warfare would be disorganized, and that, inasmuch as the whole world is now so closely knit together into one vast trading community, there also would be a serious disruption of the trade of neutral nations. As is well known, numerous prophecies were made regarding the character of business disturbances which, it was believed, were imminent. But, in the light of actual happenings of the past months, it is evident that a large percentage of these predictions were wide of the mark. Without entering into an exhaustive analysis, a few instances will serve to illustrate this point.<sup>1</sup>

While it may be true that, had the New York Stock Exchange remained open during the early days of the war, there would have been enormous sales of the \$6,000,000,000 of our securities said to be held in Europe<sup>2</sup>, the fact remains that, since its reopening, there has been no glutting of the market with such securities, as was predicted. In fact, the management of the Exchange soon found it unnecessary to maintain still longer the safeguards which were resorted to at the reopening. With reference to the anticipated drainage of gold from this country, not only was the export of gold actually less than the sum which had been provided for this purpose, but, within a few months the stream was reversed and we found ourselves receiving gold which Europe reluctantly was obliged to send us. According to *Commerce Reports*, April 23, 1915, the outflow of gold was checked in December, and, from January 1 to April 1, there was a net inward movement totaling upwards of \$42,000,000,000. Again, instead of the rate of interest the world over mounting to almost a prohibitive figure, as some had feared, no greater change has been noted than would have passed unnoticed had there been

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<sup>1</sup> See *The Annalist*, April 5, 1915, which contains a summary of these predictions and comments thereon.

<sup>2</sup> See also *The Economic World*, July 3, 1915, which contains an article on "European Holdings of American Securities." Here it is estimated that the par value of foreign holdings of American securities at the end of April, 1915, was \$3,408,401,842.

peace throughout the world. The anticipated trouble respecting the marketing of our bumper cotton crop has been, in some degree, exaggerated. In spite of delay in marketing, it ultimately moved to market at almost a record pace, and at a price several cents higher than originally had been expected. Notwithstanding these large movements, it should be stated in fairness to those whose predictions are under discussion, that the total cotton exports for the eight months ending with February, 1915, were only fifty per cent. of those for the corresponding period of the preceding year.

Various prophecies or expectations with reference to the rôle the United States, the foremost neutral trader, would play in the world of international commerce have proven to have been wide of the mark. Early in August, 1914, the immensity of the world's trade disturbance seemed to have brought into existence in the American business world "a national conviction that the world of trade was ours." Some weeks later, however, a representative business journal of this country stated: "Now there appears to have come a mental condition which is tending to produce excessive caution and almost a national doubt as to whether we can enter the world's markets successfully." During the first month of the war, it seemed to be rather widely believed that there was an excellent prospect of extending our export trade by supplying certain neutral markets hitherto largely monopolized by the European belligerents. It was expected that two fruitful fields for such operations were South America and Asia. Of course, it may be too soon to test the validity of these predictions and, perhaps, it should not be expected, as yet, that the anticipated results in these fields should be realized. The fact is, however, that, as will soon be shown by a statistical analysis of recent trade conditions, the two continents just mentioned have bought from us, during the ten months ending with April, 1915, less than they did for the corresponding period a year earlier. Again, soon after hostilities commenced, it was predicted that "one of the first effects of the war would be the curtailment of the trade of the United States with the belligerent countries and those adjoining, and an increase in the trade between the United States and neutral countries in other sections of the world." As a matter of fact, the reverse was the case.

Let us now proceed to a survey of some of the leading features of the world's international trade as they actually existed some nine months after the outbreak of hostilities, from the standpoint of our relations with other parts of the world, giving attention at first to the export trade.

For the ten months ending with April, 1915, our total exports of merchandise, as reported by the Bureau of Foreign and Domestic Commerce, amounted, in round numbers, to \$2,226,000,000 as compared with \$2,046,000,000 for the corresponding period a year ago. In total value, there is a substantial increase; and, as will appear later, there has been a marked change in the composition of our foreign shipments. The distribution of our exports by continents was as follows:

<i>Exports to—</i>	<i>Ten months ended with April</i>	
	<i>1914</i>	<i>1915</i>
Europe .....	\$1,301,737,077	\$1,588,805,031
North America.....	443,859,045	388,608,871
South America.....	106,762,122	73,603,809
Asia .....	99,722,229	91,259,248
Oceania .....	70,001,564	60,803,573
Africa .....	23,692,448	22,743,454
Total .....	2,045,774,485	2,225,823,986

From these figures it is apparent that, as yet, South America and Asia have not proved to be fruitful fields in our export trading operations, as had been expected. On the contrary, we have failed to hold our own in these markets; and this is due, in all probability, to the fact that exceptional opportunities were offering for certain lines of exports to some of the belligerents and their immediate neighbors. Furthermore, it may be seen that, in the case of every continent excepting Europe, our exports were actually less than they were a year ago. On the other hand, contrary to expectations, our shipments to Europe—the scene of the conflict—have been greater during the last ten months by about \$287,000,000 than they were for the corresponding months of 1913-1914.

Moreover, with some of the warring nations, substantial increases are to be found. For example, according to an analysis made by the Bureau of Foreign and Domestic Commerce, published in *Commerce Reports* for April 24, 1915, the British Empire was then the market for 50 per cent. of the total exports of the United States, as compared with 45 per cent. a year earlier. France, including her colonies, has, since the war began, taken second place from Germany as a market for our products. This is due in part to the activities of the Allies in preventing the entry of goods into Germany, and in part to the actual increase in the value of our shipments to France, which have risen from \$143,000,000 for the ten months ended April, 1914, to \$277,000,000 for the corresponding months a year later. But it is with some of the neutral countries bordering upon the

nations which are engaged in war that we have made the greatest gains in marketing our goods. For example, following the two periods compared above, the increase in our exports to Denmark has been from \$13,000,000 to \$71,000,000—an advance of over 500 per cent. With Sweden, an almost identical proportionate increase is shown, the figures being \$12,000,000 and \$72,000,000. Moreover, the Netherlands and Switzerland show results somewhat similar, their purchases for the respective periods under consideration being \$93,000,000 and \$123,000,000 for the Netherlands, and \$837,000 and \$2,257,000 for Switzerland. As might be expected, the country which, according to trade statistics, has received a relatively small percentage of her normal share of our exports is Germany, whose purchases decreased from \$309,000,000 to \$29,000,000 for the two periods which we have been comparing.

There remains still another feature of our export trade which should be considered, namely, the changes in the relative values of certain general classes of commodities shipped abroad as compared with conditions which prevailed before the outbreak of the war. First of all, the general situation is shown by the following official table extracted from the *Monthly Summary of Commerce and Finance* for April, 1915:

EXPORTS FOR TEN MONTHS ENDED WITH APRIL

Groups	1914		1915	
	Dollars	Per cent.	Dollars	Per cent.
Crude materials for use in manufacturing.....	722,056,256	35.78	434,620,120	19.91
Foodstuffs in crude condition, and food animals.....	116,330,048	5.76	442,357,414	20.27
Foodstuffs partly or wholly manufactured.....	252,653,062	12.52	365,544,753	16.75
Manufactures for further use in manufacturing.....	312,500,818	15.49	280,343,971	12.84
Manufactures ready for consumption.....	608,305,040	30.14	600,711,511	27.52
Miscellaneous.....	6,240,623	.31	59,119,423	2.71
Total domestic exports.....	2,018,085,847	100.00	2,182,697,192	100.00
Foreign merchandise exported	27,688,638		43,126,794	
Total exports.....	2,045,774,485		2,225,823,986	

From the above it appears that exports of crude materials for use in manufacturing have been reduced nearly 50 per cent, while foodstuffs in crude condition and food animals have risen close on

to 400 per cent. There also has been a rise of 33 per cent. in the export of foodstuffs wholly or partly manufactured. Furthermore, it should be pointed out that, notwithstanding the so-called "war orders" of manufactured goods, the total outward movement of all kinds of manufactures other than foodstuffs was less for the ten months ending in April, 1915, than during the corresponding period a year earlier. The only other striking change which is shown in this table is a very marked rise in the shipments of unclassified commodities. Horses and mules are responsible, in large part, for this condition, inasmuch as they are incapable of classification in any of the official schedules.

An analysis of the data from which the above table was compiled reveals some interesting features. In general, those things which are indispensable for the equipment and maintenance of armies show marked increases in our foreign shipments. Following here the two periods compared in the table, it is found that the value of horses exported has increased from \$2,918,000 to \$47,784,000; of mules, from \$615,000 to \$7,478,000; of harnesses and saddles, from \$613,000 to \$14,900,000; of explosives, from \$5,471,000 to \$21,163,000. Before the outbreak of the war, we sent abroad, on the average, about \$100,000 worth of commercial automobiles per month, whereas, at the present time, our monthly sales total over \$5,000,000. Other articles chosen at random showing conspicuous increases are wheat and flour, leather, woolen manufactures, zinc, and refined sugar. The statistical evidence is conclusive that American producers either of foodstuffs or of those manufactures which are required in modern warfare are reaping a harvest from the present destructive operations of the belligerents.

On the other hand, there are many commodities for which the foreign demand has been checked to a marked degree. The exports of lumber and wood manufactures, of passenger automobiles, and of copper and its manufactures have been substantially reduced. Copper is, of course, a commodity which is in demand for purposes of modern warfare, but the decline in our foreign shipments of this metal is to be attributed mainly to the inability to market it in Germany. The present demand for agricultural implements is much less than the normal demand. Iron and steel manufactures, electrical machinery, photographic goods, sewing-machines, and novelties in general are other typical instances of commodities whose present foreign sales are much below those of a year or two ago. In a word, the whole situation respecting our export trade can best be expressed by the words of a recent writer on this subject who stated



that the export figures "show literally that Europe has dropped the plow to take up the sword."

Turning now to a consideration of our import trade, a different situation, in many respects, is presented than was found in the case of our exports. For the ten months ended in April last, our total imports of merchandise amounted, in round numbers, to \$1,374,000,000 as compared with \$1,572,000,000 for the corresponding period a year earlier. This is a substantial decrease, and notably is this true with respect to Europe—the continent to which our volume of exports is now swelling. In the case of other continents there are gains, in some cases, and losses in others which, on the whole, tend to balance each other, leaving the net loss in imports referable, in large part, to the shrinkage in purchases of European goods, as the following table shows:

<i>Imports from—</i>	<i>Ten months ended with April</i>	
	<i>1914</i>	<i>1915</i>
Europe .....	\$756,038,401	\$527,466,270
North America.....	343,630,432	372,765,578
South America.....	185,446,075	216,194,667
Asia .....	238,648,600	201,355,226
Oceania .....	33,093,606	38,895,256
Africa .....	15,257,578	17,512,752
Total .....	<u>\$1,572,114,692</u>	<u>\$1,374,189,749</u>

Here it is seen that South America, in spite of our failure to hold our own in her markets, to say nothing of further extending our export trade thither, as had been predicted, has succeeded in increasing her shipments to us, during the last ten months. Asia, on the other hand, has sent us a somewhat smaller total of exports than we received during the corresponding period a year earlier.

The figures showing imports by countries reveal some interesting features. For example, in the month of January last our imports from Germany and Austria were only 25 per cent. less than they were in the corresponding month a year earlier; whereas among our principal decreases in imports were those from the United Kingdom and France. In the case of all four countries, undoubtedly the production of commodities for export had been greatly curtailed, due to the drawing off of industrial workers into the armies, and to the abnormal proportional production of supplies of all kinds indispensable for modern warfare. But it certainly was never expected that five months after the outbreak of hostilities the imports from Germany and Austria should be more normal in value than those of England and France, who controlled the seas. The situation

regarding imports, however, can the better be grasped by comparing the official figures by principal countries not for a single month but for the two periods of ten months, ending in April, 1914 and 1915, as follows:

<i>Principal countries</i>	<i>Ten months ended with April</i>	
	<i>1914</i>	<i>1915</i>
Austria-Hungary .....	\$17,136,000	\$9,118,000
Belgium .....	34,766,000	10,053,000
France .....	124,315,000	66,413,000
Germany .....	160,431,000	86,372,000
Italy .....	46,516,000	45,181,000
Netherlands .....	30,222,000	27,461,000
Norway .....	7,707,000	9,746,000
Russia in Europe.....	17,855,000	2,318,000
Sweden .....	9,537,000	10,288,000
United Kingdom.....	243,715,000	211,451,000
Canada .....	131,882,000	133,115,000
Mexico .....	77,481,000	61,039,000
Cuba .....	99,677,000	138,534,000
Argentina .....	36,163,000	61,088,000
Brazil .....	88,028,000	84,396,000
China .....	32,543,000	30,727,000
British India.....	60,882,000	42,169,000
Japan .....	90,663,000	83,414,000
Australia .....	14,079,000	14,557,000

From the above it appears that within the ten months' period indicated, of which all but one month (July) had elapsed since the outbreak of the war, each of the nations of Europe engaged in fighting sent us vastly less merchandise than for the corresponding period a year earlier. On the other hand, our purchases from Canada, the Netherlands, Australia, Brazil and China, respectively, were practically identical in value for the two periods.

The present trend of the world's trade, considering the United States as the center, has now been shown in considerable detail. The question as to whether such tendencies as have been indicated will continue for any length of time is clouded in uncertainty. Nor is it possible to determine, at present, the lines upon which the trade of the world will eventually be reorganized after hostilities cease. For the present, however, it is reasonable to expect that abnormal and unsettled conditions in international trade will continue until the end of the war. Great uncertainty is attendant upon all trade with Europe, especially since the blockade of Germany by the British fleet, and the activities of the Germans in attempting to undermine British commerce through the agency of submarines.

But, in spite of such conditions existent, the volume of trade goes to and fro in response to a pressing demand in Europe for food-stuffs, military supplies and equipment, and raw materials for manufacturing military supplies. Furthermore, it is difficult to foresee any appreciable diminution in demand for such merchandise until the arrival of that unknown day when peace will be declared.

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## THE SLIGHT EFFECT OF THE WAR ON UNITED STATES TOTAL COMMERCE

By MARK JEFFERSON

The domestic exports of the United States for the ten months ended with April, 1915,—roughly the period of duration of the European war—were six per cent. larger than for the same ten months of 1913 and 1914, averaged; and the imports to the United States for the ten months of the war were nearly twelve per cent. smaller than for the same ten months of 1913 and 1914, averaged. The six per cent. amount to 135 million dollars, the twelve to 186 million dollars. Imports and exports together are one per cent. less than for the average ten months of 1913 and 1914, this one per cent. amounting to but 36 million dollars. Here are the figures tabulated:

U. S. TRADE, IN MILLIONS OF DOLLARS, FOR TEN MONTHS ENDED WITH APRIL

	DOMESTIC EXPORTS	IMPORTS	TOTAL <sup>1</sup>
1913.....	2077	1548	3656
1914.....	2018	1572	3618
1915.....	2183	1374	3600

We may say that the total of our commerce has been little affected, but there has been some change in the relation of imports to exports.

It is more noticeable that the values of individual domestic exports have suffered changes of which the changes in the totals give no idea. Thus the six per cent. increase in our total domestic exports includes an increased exportation of wheat and wheat flour to the amount of 250 million dollars and a diminished exportation

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<sup>1</sup>Includes foreign goods exported. All figures are from the *Monthly Summary of the Foreign Commerce of the United States* for April, 1915.